

*Township of Yankee Springs*  
*Barry County, Michigan*  
**FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITORS' REPORT**  
*Year ended June 30, 2008*

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## INDEPENDENT AUDITORS' REPORT

**Township Board  
Township of Yankee Springs, Michigan**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Township of Yankee Springs, Michigan, as of June 30, 2008, and for the year then ended, which collectively comprise the Township's basic financial statements, as listed in the contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Township of Yankee Springs, Michigan, as of June 30, 2008, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

The budgetary comparison information, as listed in the contents, is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it. The Township of Yankee Springs, Michigan, has not presented the management's discussion and analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be a part of, the financial statements.

Township Board  
Township of Yankee Springs, Michigan  
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Our audit was made for the purpose of forming opinions on the financial statements that collectively comprise the Township of Yankee Springs, Michigan's basic financial statements. The supplementary information, as listed in the contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements of the Township of Yankee Springs, Michigan. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Sigfried Crandall P.C.*

November 13, 2008

## **BASIC FINANCIAL STATEMENTS**

**Township of Yankee Springs**  
**STATEMENT OF NET ASSETS**  
*June 30, 2008*

|  | <u>Governmental<br/>activities</u> | <u>Business-type<br/>activities</u> | <u>Totals</u>       |
|--|------------------------------------|-------------------------------------|---------------------|
| <b>ASSETS</b>                                      |                                    |                                     |                     |
| Current assets:                                    |                                    |                                     |                     |
| Cash   | \$ 1,381,355                       | \$ 276,150                          | \$ 1,657,505        |
| Receivables  | 140,246                            | 41,290                              | 181,536             |
| Prepaid expenses                                   | 27,106                             | -                                   | 27,106              |
| Total current assets                               | <u>1,548,707</u>                   | <u>317,440</u>                      | <u>1,866,147</u>    |
| Noncurrent assets:                                 |                                    |                                     |                     |
| Receivables  | 47,600                             | -                                   | 47,600              |
| Capital assets not being depreciated               | 69,109                             | 35,000                              | 104,109             |
| Capital assets, net of depreciation                | <u>786,156</u>                     | <u>1,912,059</u>                    | <u>2,698,215</u>    |
| Total noncurrent assets                            | <u>902,865</u>                     | <u>1,947,059</u>                    | <u>2,849,924</u>    |
| Total assets                                       | <u>2,451,572</u>                   | <u>2,264,499</u>                    | <u>4,716,071</u>    |
| <b>LIABILITIES</b>                                 |                                    |                                     |                     |
| Current liabilities:                               |                                    |                                     |                     |
| Accounts payable                                   | 27,271                             | 13,923                              | 41,194              |
| Current portion of contract payable                | -                                  | 40,000                              | 40,000              |
|  | 27,271                             | 53,923                              | 81,194              |
| Noncurrent liabilities - contract payable          | -                                  | 993,281                             | 993,281             |
| Total liabilities                                  | <u>27,271</u>                      | <u>1,047,204</u>                    | <u>1,074,475</u>    |
| <b>NET ASSETS</b>                                  |                                    |                                     |                     |
| Invested in capital assets,<br>net of related debt | 855,265                            | 913,778                             | 1,769,043           |
| Restricted for:                                    |                                    |                                     |                     |
| Acquisition of fire equipment                      | 227,372                            | -                                   | 227,372             |
| Weed control                                       | 69,150                             | -                                   | 69,150              |
| Unrestricted                                       | <u>1,272,514</u>                   | <u>303,517</u>                      | <u>1,576,031</u>    |
| Total net assets                                   | <u>\$ 2,424,301</u>                | <u>\$ 1,217,295</u>                 | <u>\$ 3,641,596</u> |

See notes to financial statements

**Township of Yankee Springs**  
**STATEMENT OF ACTIVITIES**  
Year ended June 30, 2008

|                                    |                   | <u>Program revenues</u> |                      |                      |
|------------------------------------|-------------------|-------------------------|----------------------|----------------------|
|                                    |                   | <u>Charges for</u>      | <u>Operating</u>     | <u>Capital</u>       |
|                                    | <u>Expenses</u>   | <u>services</u>         | <u>grants and</u>    | <u>grants and</u>    |
|                                    |                   |                         | <u>contributions</u> | <u>contributions</u> |
| <b>Functions/Programs</b>          |                   |                         |                      |                      |
| Primary government:                |                   |                         |                      |                      |
| Governmental activities:           |                   |                         |                      |                      |
| Legislative                        | \$ 8,892          | \$ -                    | \$ -                 | \$ -                 |
| General government                 | 299,761           | 20,389                  | -                    | -                    |
| Public safety                      | 205,613           | 35,880                  | -                    | -                    |
| Public works                       | 115,342           | 46,415                  | 5,677                | 54,818               |
| Community and economic development | 58,053            | 8,945                   | -                    | -                    |
| Culture and recreation             | <u>9,550</u>      | <u>-</u>                | <u>-</u>             | <u>3,000</u>         |
| Total governmental activities      | 697,211           | 111,629                 | 5,677                | 57,818               |
| Business-type activities - water   | <u>113,384</u>    | <u>125,679</u>          | <u>-</u>             | <u>-</u>             |
| Total primary government           | <u>\$ 810,595</u> | <u>\$ 237,308</u>       | <u>\$ 5,677</u>      | <u>\$ 57,818</u>     |
| General revenues:                  |                   |                         |                      |                      |
| Property taxes                     |                   |                         |                      |                      |
| State shared revenue               |                   |                         |                      |                      |
| Franchise fees                     |                   |                         |                      |                      |
| Unrestricted investment return     |                   |                         |                      |                      |
| Total general revenues             |                   |                         |                      |                      |
| Change in net assets               |                   |                         |                      |                      |
| Net assets - beginning             |                   |                         |                      |                      |
| Net assets - ending                |                   |                         |                      |                      |

| <i>Net (expenses) revenues and<br/>changes in net assets</i> |                                     |                     |
|--|-------------------------------------|---------------------|
| <i>Governmental<br/>activities</i>                           | <i>Business-type<br/>activities</i> | <i>Totals</i>       |
| \$ (8,892)   |                                     | \$ (8,892)          |
| (279,372)  |                                     | (279,372)           |
| (169,733)  |                                     | (169,733)           |
| (8,432)  |                                     | (8,432)             |
| (49,108)   |                                     | (49,108)            |
| <u>(6,550)</u>   |                                     | <u>(6,550)</u>      |
| (522,087)  |                                     | (522,087)           |
| -  | \$ 12,295                           | 12,295              |
| <u>(522,087)</u>   | <u>12,295</u>                       | <u>(509,792)</u>    |
| 306,050  | -                                   | 306,050             |
| 293,136  | -                                   | 293,136             |
| 30,194   | -                                   | 30,194              |
| <u>47,480</u>  | <u>8,680</u>                        | <u>56,160</u>       |
| <u>676,860</u>   | <u>8,680</u>                        | <u>685,540</u>      |
| 154,773  | 20,975                              | 175,748             |
| <u>2,269,528</u>   | <u>1,196,320</u>                    | <u>3,465,848</u>    |
| <u>\$ 2,424,301</u>  | <u>\$ 1,217,295</u>                 | <u>\$ 3,641,596</u> |

See notes to financial statements



**Township of Yankee Springs**  
**BALANCE SHEET - governmental funds**  
June 30, 2008

|  | <u>General</u>    | <u>Fire<br/>Equipment</u> | <u>Revolving<br/>Improvement</u> |
|--|-------------------|---------------------------|----------------------------------|
| <b>ASSETS</b>  |                   |                           |                                  |
| Cash   | \$ 774,667        | \$ 437,372                | \$ 102,619                       |
| Receivables  | <u>123,141</u>    | <u>-</u>                  | <u>64,705</u>                    |
| Total assets   | <u>\$ 897,808</u> | <u>\$ 437,372</u>         | <u>\$ 167,324</u>                |
| <b>LIABILITIES AND FUND BALANCES</b>                       |                   |                           |                                  |
| Liabilities:   |                   |                           |                                  |
| Accounts payable   | \$ 22,159         | \$ -                      | \$ 5,112                         |
| Deferred revenue   | <u>-</u>          | <u>-</u>                  | <u>64,705</u>                    |
| Total liabilities  | <u>22,159</u>     | <u>-</u>                  | <u>69,817</u>                    |
| Fund balances:   |                   |                           |                                  |
| Unreserved   | 875,649           | 437,372                   | 97,507                           |
| Unreserved reported in nonmajor -<br>special revenue funds | <u>-</u>          | <u>-</u>                  | <u>-</u>                         |
| Total fund balances  | <u>875,649</u>    | <u>437,372</u>            | <u>97,507</u>                    |
| Total liabilities and<br>fund balances                     | <u>\$ 897,808</u> | <u>\$ 437,372</u>         | <u>\$ 167,324</u>                |

Amounts reported for *governmental activities* in the statement of net assets (page 5) are different because:

Total fund balances

Capital assets used in *governmental activities* are not financial resources and, therefore, are not reported in the funds.

Other long-term assets are not available to pay for current-period expenditures and, therefore, are not reported in the funds.

Prepaid expenses are not a current financial resource and, therefore, are not reported in the funds.

Net assets of *governmental activities*

| <u>Nonmajor<br/>governmental<br/>funds</u> | <u>Total<br/>governmental<br/>funds</u> |
|--|---|
| \$ 66,697                                  | \$ 1,381,355                            |
| <u>-</u>                                   | <u>187,846</u>                          |
| <u>\$ 66,697</u>                           | <u>\$ 1,569,201</u>                     |
| <br>                                       |   |
| \$ -                                       | \$ 27,271                               |
| <u>-</u>                                   | <u>64,705</u>                           |
| <br>                                       |   |
| <u>-</u>                                   | <u>91,976</u>                           |
| <br>                                       |   |
| -  | 1,410,528                               |
| <u>66,697</u>                              | <u>66,697</u>                           |
| <br>                                       |   |
| <u>66,697</u>                              | <u>1,477,225</u>                        |
| <br>                                       |   |
| <u>\$ 66,697</u>                           | <u>\$ 1,569,201</u>                     |
| <br>                                       |   |
|  | \$ 1,477,225                            |
|  | <br>                                    |
|  | 855,265                                 |
|  | <br>                                    |
|  | 64,705                                  |
|  | <br>                                    |
|  | <u>27,106</u>                           |
|  | <br>                                    |
|  | <u>\$ 2,424,301</u>                     |

See notes to financial statements

**Township of Yankee Springs****STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND  
BALANCES - governmental funds**

Year ended June 30, 2008

|  | <u>General</u>    | <u>Fire<br/>Equipment</u> | <u>Revolving<br/>Improvement</u> |
|--|-------------------|---------------------------|----------------------------------|
| <b>REVENUES</b>  |                   |                           |                                  |
| Taxes  | \$ 313,352        | \$ -                      | \$ -                             |
| State grants   | 298,813           | -                         | -                                |
| Licenses and permits   | 64,241            | -                         | -                                |
| Charges for services   | 8,945             | -                         | -                                |
| Interest and rentals   | 31,749            | 15,731                    | -                                |
| Other  | 13,089            | -                         | 46,413                           |
|  | <u>730,189</u>    | <u>15,731</u>             | <u>46,413</u>                    |
| Total revenues   |                   |                           |                                  |
|  | <u>730,189</u>    | <u>15,731</u>             | <u>46,413</u>                    |
| <b>EXPENDITURES</b>  |                   |                           |                                  |
| Legislative  | 8,892             | -                         | -                                |
| General government   | 291,225           | -                         | -                                |
| Public safety  | 151,788           | -                         | -                                |
| Public works   | 94,392            | -                         | 35,719                           |
| Community and economic<br>development                        | 58,053            | -                         | -                                |
| Culture and recreation                                       | -                 | -                         | -                                |
| Capital outlay   | 1,948             | 10,840                    | -                                |
|  | <u>606,298</u>    | <u>10,840</u>             | <u>35,719</u>                    |
| Total expenditures   |                   |                           |                                  |
|  | <u>606,298</u>    | <u>10,840</u>             | <u>35,719</u>                    |
| <b>EXCESS (DEFICIENCY) OF REVENUES<br/>OVER EXPENDITURES</b> | <u>123,891</u>    | <u>4,891</u>              | <u>10,694</u>                    |
| <b>OTHER FINANCING SOURCES (USES)</b>                        |                   |                           |                                  |
| Transfers in   | -                 | 50,000                    | -                                |
| Transfers out  | (60,000)          | -                         | -                                |
|  | <u>(60,000)</u>   | <u>50,000</u>             | <u>-</u>                         |
| Total other financing<br>sources (uses)                      |                   |                           |                                  |
|  | <u>(60,000)</u>   | <u>50,000</u>             | <u>-</u>                         |
| <b>NET CHANGE IN FUND BALANCES</b>                           | 63,891            | 54,891                    | 10,694                           |
| <b>FUND BALANCES - BEGINNING</b>                             | <u>811,758</u>    | <u>382,481</u>            | <u>86,813</u>                    |
| <b>FUND BALANCES - ENDING</b>                                | <u>\$ 875,649</u> | <u>\$ 437,372</u>         | <u>\$ 97,507</u>                 |

| <i><b>Nonmajor<br/>governmental<br/>funds</b></i> | <i><b>Total<br/>governmental<br/>funds</b></i> |
|---|--|
| \$ -  | \$ 313,352                                     |
| 3,000   | 301,813  |
| 1,833   | 66,074   |
| -   | 8,945  |
| -   | 47,480   |
| -   | 59,502   |
| <u>4,833</u>                                      | <u>797,166</u>                                 |
| -   | 8,892  |
| -   | 291,225  |
| 1,789   | 153,577  |
| -   | 130,111  |
| -   | 58,053   |
| 5,690   | 5,690  |
| -   | 12,788   |
| <u>7,479</u>                                      | <u>660,336</u>                                 |
| <u>(2,646)</u>                                    | <u>136,830</u>                                 |
| 10,000  | 60,000   |
| -   | (60,000)                                       |
| <u>10,000</u>                                     | <u>-</u>                                       |
| 7,354   | 136,830  |
| <u>59,343</u>                                     | <u>1,340,395</u>                               |
| <u>\$ 66,697</u>                                  | <u>\$ 1,477,225</u>                            |

See notes to financial statements

*Township of Yankee Springs*

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND  
BALANCES - governmental funds (Continued)**

*Year ended June 30, 2008*

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|   | <i><u>Total<br/>governmental<br/>funds</u></i> |
|---|--|
| Net change in fund balances - total governmental funds (page 8)   | \$ 136,830                                     |
| Amounts reported for <i>governmental activities</i> in the statement of activities are different because: |  |
| Capital assets:   |  |
| Assets acquired   | 12,335   |
| Provision for depreciation  | (63,400)                                       |
| Changes in other assets/liabilities:  |  |
| Prepaid expense   | 14,190   |
| Deferred revenue  | <u>54,818</u>                                  |
| Change in net assets of <i>governmental activities</i>  | <u>\$ 154,773</u>                              |

*See notes to financial statements*

**Township of Yankee Springs**  
**STATEMENT OF NET ASSETS - proprietary fund**  
*June 30, 2008*

|   | <u>Water</u>        |
|---|---------------------|
| <b>ASSETS</b>                                   |                     |
| Current assets:                                 |                     |
| Cash  | \$ 276,150          |
| Accounts receivable                             | <u>41,290</u>       |
| Total current assets                            | <u>317,440</u>      |
| Noncurrent assets:                              |                     |
| Capital assets not being depreciated            | 35,000              |
| Capital assets, net of depreciation             | <u>1,912,059</u>    |
| Total noncurrent assets                         | <u>1,947,059</u>    |
| Total assets                                    | <u>2,264,499</u>    |
| <b>LIABILITIES</b>                              |                     |
| Current liabilities:                            |                     |
| Accounts payable                                | 13,923              |
| Current portion of contract payable             | <u>40,000</u>       |
| Total current liabilities                       | 53,923              |
| Noncurrent liabilities - contract payable       | <u>993,281</u>      |
| Total liabilities                               | <u>1,047,204</u>    |
| <b>NET ASSETS</b>                               |                     |
| Invested in capital assets, net of related debt | 913,778             |
| Unrestricted                                    | <u>303,517</u>      |
| Total net assets                                | <u>\$ 1,217,295</u> |

See notes to financial statements

*Township of Yankee Springs*

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND**

**NET ASSETS - *proprietary fund***

*Year ended June 30, 2008*

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|   | <u>Water</u>        |
|---|---------------------|
| <b>OPERATING REVENUES</b>               |                     |
| Charge for services                     | \$ 125,679          |
| <b>OPERATING EXPENSES</b>               |                     |
| Public works                            | 49,918              |
| Depreciation                            | <u>39,414</u>       |
| Total operating expenses                | <u>89,332</u>       |
| <b>OPERATING INCOME</b>                 | <u>36,347</u>       |
| <b>NONOPERATING REVENUES (EXPENSES)</b> |                     |
| Investment return                       | 8,680               |
| Interest expense                        | <u>(24,052)</u>     |
| Total nonoperating expenses             | <u>(15,372)</u>     |
| <b>CHANGE IN NET ASSETS</b>             | 20,975              |
| <b>NET ASSETS - BEGINNING</b>           | <u>1,196,320</u>    |
| <b>NET ASSETS - ENDING</b>              | <u>\$ 1,217,295</u> |

*See notes to financial statements*

**Township of Yankee Springs**  
**STATEMENT OF CASH FLOWS - proprietary fund**  
Year ended June 30, 2008

|   | <u>Water</u>      |
|---|-------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>   |                   |
| Receipts from customers   | \$ 119,385        |
| Payments to suppliers   | <u>(49,604)</u>   |
| Net cash provided by operating activities   | <u>69,781</u>     |
| <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>                         |                   |
| Principal payment on contract payable   | (25,000)          |
| Acquisition of capital assets   | (19,500)          |
| Interest payments on contract payable   | <u>(24,152)</u>   |
| Net cash used in capital and related financing activities                               | <u>(68,652)</u>   |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>   |                   |
| Investment return   | <u>8,680</u>      |
| <b>NET INCREASE IN CASH</b>   | 9,809             |
| <b>CASH - BEGINNING</b>   | <u>266,341</u>    |
| <b>CASH - ENDING</b>  | <u>\$ 276,150</u> |
| <b>Reconciliation of operating income to net cash provided by operating activities:</b> |                   |
| Operating income  | \$ 36,347         |
| Adjustments to reconcile operating income to net cash provided by operating activities: |                   |
| Depreciation expense  | 39,414            |
| Changes in assets and liabilities:  |                   |
| Receivables, net  | (6,294)           |
| Accounts payable  | <u>314</u>        |
| Net cash provided by operating activities   | <u>\$ 69,781</u>  |

See notes to financial statements



**Township of Yankee Springs**  
**NOTES TO FINANCIAL STATEMENTS**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

The accounting policies of the Township of Yankee Springs, Michigan (the Township), conform to U.S. generally accepted accounting principles (hereinafter referred to as generally accepted accounting principles) as applicable to governmental units. The following is a summary of the significant accounting policies.

*a) Reporting entity:*

In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, these financial statements present the Township. The criteria established by the GASB for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included. The Township has determined that no outside agency meets the above criteria and, therefore, no outside agency has been included as a blended or discretely-presented component unit in the Township's financial statements.

*b) Government-wide and fund financial statements:*

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the Township. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary fund, and fiduciary funds, even though the latter are excluded from government-wide financial statements. Major individual governmental funds and major enterprise funds are reported as separate columns in the fund financial statements.

*c) Measurement focus, basis of accounting, and financial statement presentation:*

The government-wide financial statements are reported using the economic resources, measurement focus, and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

**Township of Yankee Springs**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):**

*c) Measurement focus, basis of accounting, and financial statement presentation (continued):*

Governmental fund financial statements are reported using the current financial resources, measurement focus, and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government generally considers property tax revenues to be available if they are expected to be collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

State grants, licenses and permits, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable only when cash is received by the Township.

The Township reports the following major governmental funds:

The General Fund is the Township's primary operating fund. It accounts for all financial resources of the Township, except those required to be accounted for in another fund. Revenues are primarily derived from property taxes and state shared revenue.

The Fire Equipment Fund accounts for the financial resources used for the purchase of fire apparatus. Revenues are primarily derived from property taxes and unrestricted transfers from the General Fund.

The Revolving Improvement Fund accounts for the financial resources used for purchases of services and capital improvements. Revenues are derived from special assessments.

The Township reports the following major proprietary fund:

The Water Fund accounts for the operation of the Township's water mains and pumping facilities.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board (GASB). Governments also have the option of following subsequent private sector guidance for their business-type activities and enterprise funds, subject to the same limitation. The government has elected not to follow subsequent private-sector standards.

Amounts reported as program revenues include: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

**Township of Yankee Springs**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):**

*c) Measurement focus, basis of accounting, and financial statement presentation (continued):*

Proprietary fund distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary fund relate to charges to customers for sales and services. Operating expenses for proprietary fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

*d) Assets, liabilities, and net assets or equity:*

*i) Bank deposits* - Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired.

*ii) Receivables* - In general, outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances." No allowance for uncollectible accounts has been recorded as the Township considers all receivables to be fully collectible.

*iii) Prepaid items* - Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

*iv) Capital assets* - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., streets and sidewalks), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets, other than infrastructure, with an initial cost of more than \$1,000, and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The Township has the option of accounting for infrastructure assets retroactively to June 30, 1980, or prospectively beginning July 1, 2003. The Township has elected to account for infrastructure assets on the prospective basis. The Township includes shared road costs in its infrastructure. These costs represent the Township's portion of public road improvements for roads within the Township, which are owned by the County of Barry.

Capital assets are depreciated using the straight-line method over the following useful lives:

|                            |               |
|----------------------------|---------------|
| Buildings and improvements | 15 - 60 years |
| Equipment                  | 3 - 5 years   |
| Vehicles                   | 5 - 15 years  |
| Water systems              | 50 - 75 years |

**Township of Yankee Springs**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):**

*d) Assets, liabilities, and net assets or equity (continued):*

*v) Fund equity* - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

*vi) Property tax recognition* - Property taxes are levied as of December 1 on property values assessed as of December 31 of the prior year. The billings are due on or before February 14, after which time the bill becomes delinquent and penalties and interest may be assessed by the District. Property tax revenue is recognized in the year for which taxes have been levied and become available. The Township levy date is December 1, and, accordingly, the total levy is recognized as revenue in the current year.

**NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:**

*Budgetary information* - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. The budget document presents information by fund, function, department, and line-item. The legal level of budgetary control adopted by the Township Board is the functional level.

*Excess of expenditures over appropriations in budgetary funds* - P.A. 621 of 1978, Section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated. The Township's significant budgetary violations are as follows:

| <u>Fund</u>           | <u>Function</u> | <u>Total<br/>appropriation</u> | <u>Actual<br/>expenditures</u> | <u>Variance</u> |
|-----------------------|-----------------|--------------------------------|--------------------------------|-----------------|
| Revolving Improvement | Public works    | \$ -                           | \$ 35,719                      | \$ (35,719)     |

**NOTE 3 - DEPOSITS:**

The Township's deposits, as shown in the government-wide statement of net assets are as follows:

|      | <u>Governmental<br/>activities</u> | <u>Business-<br/>type activities</u> | <u>Totals</u> |
|------|------------------------------------|--------------------------------------|---------------|
| Cash | \$ 1,381,355                       | \$ 276,150                           | \$ 1,657,505  |

Deposits are carried at cost and are maintained at various financial institutions in the name of the Township. Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of federally-insured banks, credit unions, and savings and loan associations. The Township's deposits are in accordance with statutory authority. At June 30, 2008, the Township has deposits with a carrying amount of \$1,657,505 and a bank balance of \$1,685,884.

**Township of Yankee Springs**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

**NOTE 3 - DEPOSITS (Continued):**

Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, the Township will not be able to recover its deposits. Deposits are exposed to custodial credit risk if they are not covered by depository insurance. At June 30, 2008, \$1,114,754 of the Township's bank balances of \$1,685,884 was exposed to custodial credit risk because it was uninsured. The Township believes that it is impractical to insure all bank deposits due to the amounts of the deposits and the limits of FDIC insurance. As a result, the Township evaluates each financial institution with which it deposits funds and assesses the risk level of each institution. Only the institutions with an acceptable estimated risk level are used as depositories.

**NOTE 4 - RECEIVABLES:**

Receivables at June 30, 2008, for the Township's individual major funds are as follows:

|                     | <i>Governmental funds</i> |                       |                              | <i>Proprietary fund</i> |                   |
|---------------------|---------------------------|-----------------------|------------------------------|-------------------------|-------------------|
|                     | <i>General</i>            | <i>Fire Equipment</i> | <i>Revolving Improvement</i> | <i>Water</i>            | <i>Totals</i>     |
| Accounts            | \$ 24,479                 | \$ -                  | \$ -                         | \$ 41,290               | \$ 65,769         |
| Special assessments | -                         | -                     | 64,705                       | -                       | 64,705            |
| Intergovernmental   | 98,662                    | -                     | -                            | -                       | 98,662            |
| <b>Totals</b>       | <b>\$ 123,141</b>         | <b>\$ -</b>           | <b>\$ 64,705</b>             | <b>\$ 41,290</b>        | <b>\$ 229,136</b> |
| Noncurrent portion  | \$ -                      | \$ -                  | \$ 47,600                    | \$ -                    | \$ 47,600         |

**Township of Yankee Springs**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

**NOTE 5 - CAPITAL ASSETS:**

Capital asset activity for the year ended June 30, 2008, was as follows:

|  | <i>Beginning<br/>balance</i> | <i>Increases</i> | <i>Decreases</i> | <i>Ending<br/>balance</i> |
|--|------------------------------|------------------|------------------|---------------------------|
| Governmental activities:                           |                              |                  |                  |                           |
| Capital assets not being depreciated - land        | \$ 69,109                    | \$ -             | \$ -             | \$ 69,109                 |
| Capital assets being depreciated:                  |                              |                  |                  |                           |
| Buildings and improvements                         | 459,269                      | -                | -                | 459,269                   |
| Equipment  | 243,727                      | 12,335           | -                | 256,062                   |
| Vehicles   | 541,434                      | -                | -                | 541,434                   |
| Subtotal   | 1,244,430                    | 12,335           | -                | 1,256,765                 |
| Less accumulated depreciation for:                 |                              |                  |                  |                           |
| Buildings and improvements                         | (132,332)                    | (12,625)         | -                | (144,957)                 |
| Equipment  | (132,391)                    | (16,163)         | -                | (148,554)                 |
| Vehicles   | (142,486)                    | (34,612)         | -                | (177,098)                 |
| Subtotal   | (407,209)                    | (63,400)         | -                | (470,609)                 |
| Total capital assets being<br>depreciated, net     | 837,221                      | (51,065)         | -                | 786,156                   |
| Governmental activities capital assets, net        | \$ 906,330                   | \$ (51,065)      | \$ -             | \$ 855,265                |
| Business-type activities:                          |                              |                  |                  |                           |
| Capital assets not being depreciated - land        | \$ 35,000                    | \$ -             | \$ -             | \$ 35,000                 |
| Capital assets being depreciated -<br>water system | 2,203,388                    | 19,500           | -                | 2,222,888                 |
| Less accumulated depreciation -<br>water system    | (271,415)                    | (39,414)         | -                | (310,829)                 |
| Total capital assets being<br>depreciated, net     | 1,931,973                    | (19,914)         | -                | 1,912,059                 |
| Business-type activities capital assets, net       | \$ 1,966,973                 | \$ (19,914)      | \$ -             | \$ 1,947,059              |

**Township of Yankee Springs**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

**NOTE 5 - CAPITAL ASSETS (Continued):**

Depreciation expense was charged to functions of the Township as follows:

|                               |                 |
|-------------------------------|-----------------|
| Governmental activities:      |                 |
| General government            | \$ 7,817        |
| Public safety                 | 51,723          |
| Recreation and culture        | <u>3,860</u>    |
| Total governmental activities | <u>\$63,400</u> |

**NOTE 6 - PAYABLES:**

|          | <u>Governmental funds</u> |                       |                              | <u>Proprietary fund</u> |                  |
|----------|---------------------------|-----------------------|------------------------------|-------------------------|------------------|
|          | <u>General</u>            | <u>Fire Equipment</u> | <u>Revolving Improvement</u> | <u>Water</u>            | <u>Total</u>     |
| Accounts | \$ 14,663                 | \$ -                  | \$ 5,112                     | \$ 7,823                | \$ 27,598        |
| Deposits | 7,496                     | -                     | -                            | -                       | 7,496            |
| Interest | -                         | -                     | -                            | 6,100                   | 6,100            |
|          | <u>\$ 22,159</u>          | <u>\$ -</u>           | <u>\$ 5,112</u>              | <u>\$ 13,923</u>        | <u>\$ 41,194</u> |

**NOTE 7 - NONCURRENT LIABILITIES:**

|  |                     |
|--|---------------------|
| Business-type activities:  |                     |
| 2003 Barry County Water Supply System contract payable - payable in annual installments ranging from \$25,000 to \$40,000, plus interest at 2.5%; final payment due October 2025   | \$ 568,281          |
| 2007 Barry County Water Supply System contract payable - payable in annual installments ranging from \$15,000 to \$30,000, plus interest at 2.125%; final payment due October 2028 | <u>465,000</u>      |
| Total  | <u>\$ 1,033,281</u> |

The Township has pledged its full faith and credit for repayment of this obligation.

Noncurrent liability activity for the year ended June 30, 2008, was as follows:

|                                | <u>Beginning balance</u> | <u>Additions</u> | <u>Reductions</u>  | <u>Ending balance</u> | <u>Amounts due within one year</u> |
|--------------------------------|--------------------------|------------------|--------------------|-----------------------|------------------------------------|
| Business-type activities:      |                          |                  |                    |                       |                                    |
| 2003 water contract            | \$ 593,281               | \$ -             | \$ (25,000)        | \$ 568,281            | \$ 25,000                          |
| 2007 water contract            | <u>465,000</u>           | <u>-</u>         | <u>-</u>           | <u>465,000</u>        | <u>15,000</u>                      |
| Total business-type activities | <u>\$1,058,281</u>       | <u>\$ -</u>      | <u>\$ (25,000)</u> | <u>\$1,033,281</u>    | <u>\$ 40,000</u>                   |

**Township of Yankee Springs**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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**NOTE 7 - NONCURRENT LIABILITIES (Continued):**

At June 30, 2008, debt service requirements were as follows:

|                           | <u>Principal</u>    | <u>Interest</u>   |
|---------------------------|---------------------|-------------------|
| Business-type activities: |                     |                   |
| Year ended June 30:       |                     |                   |
| 2009                      | \$ 40,000           | \$ 23,251         |
| 2010                      | 45,000              | 22,244            |
| 2011                      | 45,000              | 21,122            |
| 2012                      | 50,000              | 20,001            |
| 2013                      | 50,000              | 18,825            |
| 2014 - 2018               | 270,000             | 75,532            |
| 2019 - 2023               | 310,000             | 40,761            |
| 2024 - 2028               | <u>223,281</u>      | <u>8,195</u>      |
| Totals                    | <u>\$ 1,033,281</u> | <u>\$ 229,931</u> |

**NOTE 8 - INTERFUND:**

A summary of interfund transfers for the year ended June 30, 2008, is as follows:

| <u>Fund</u>                 | <u>Transfers in</u> | <u>Fund</u> | <u>Transfers out</u> |
|-----------------------------|---------------------|-------------|----------------------|
| Fire Equipment              | \$ 50,000           | General     | \$ <u>60,000</u>     |
| Nonmajor governmental funds | <u>10,000</u>       |             |                      |
|                             | <u>\$ 60,000</u>    |             |                      |

In 2008, transfers were made for cash flow assistance to the Park Land Development Fund and for anticipation of significant capital outlays in the Fire Equipment Fund.

**NOTE 9 - RISK MANAGEMENT:**

The Township is exposed to various risks of loss to general liability, property and casualty, and workers' compensation.

The risks of loss arising from general liability up to \$5,000,000, building contents, workers' compensation, and casualty are managed through purchased commercial insurance.



**Township of Yankee Springs**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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**NOTE 10 - CONSTRUCTION CODE ACT:**

A summary of construction code enforcement transactions for the year ended June 30, 2008, is as follows:

|                                  |                 |
|----------------------------------|-----------------|
| Revenues                         | \$ 34,047       |
| Expenses                         | <u>(34,047)</u> |
| Excess of revenues over expenses | <u>\$ -</u>     |

**NOTE 11 - COMMITMENTS:**

At June 30, 2008, the Township had a contractual commitment of approximately \$59,076, associated with a road construction project in the Revolving Improvement Fund. This project will be completed in 2009 and will be funded by special assessments.

## REQUIRED SUPPLEMENTARY INFORMATION

**Township of Yankee Springs**

**BUDGETARY COMPARISON SCHEDULE - General Fund**

Year ended June 30, 2008

|                                 | <u>Original<br/>budget</u> | <u>Amended<br/>budget</u> | <u>Actual</u>  | <u>Variance<br/>favorable<br/>(unfavorable)</u> |
|---------------------------------|----------------------------|---------------------------|----------------|---|
| <b>REVENUES</b>                 |                            |                           |                |   |
| Taxes                           | \$ 300,728                 | \$ 283,053                | \$ 313,352     | \$ 30,299                                       |
| State grants                    | 298,441                    | 298,441                   | 298,813        | 372   |
| Licenses and permits            | 55,000                     | 65,000                    | 64,241         | (759)   |
| Charges for services            | 10,700                     | 15,700                    | 8,945          | (6,755)   |
| Interest and rentals            | 31,287                     | 22,800                    | 31,749         | 8,949   |
| Other                           | 13,250                     | 5,350                     | 13,089         | 7,739   |
| <b>Total revenues</b>           | <u>709,406</u>             | <u>690,344</u>            | <u>730,189</u> | <u>39,845</u>                                   |
| <b>EXPENDITURES</b>             |                            |                           |                |   |
| Legislative - Township Board    | <u>10,392</u>              | <u>10,205</u>             | <u>8,892</u>   | <u>1,313</u>                                    |
| General government:             |                            |                           |                |   |
| Supervisor                      | 30,108                     | 29,489                    | 28,602         | 887   |
| Elections                       | 21,354                     | 18,201                    | 14,449         | 3,752   |
| Assessor                        | 43,211                     | 40,345                    | 38,853         | 1,492   |
| Clerk                           | 34,174                     | 33,523                    | 30,599         | 2,924   |
| Board of review                 | 3,491                      | 2,863                     | 2,147          | 716   |
| Treasurer                       | 36,228                     | 35,539                    | 34,631         | 908   |
| Township hall                   | 134,339                    | 134,369                   | 100,578        | 33,791  |
| Cemetery                        | 17,175                     | 16,908                    | 11,874         | 5,034   |
| Administration                  | 43,700                     | 46,200                    | 29,492         | 16,708  |
| <b>Total general government</b> | <u>363,780</u>             | <u>357,437</u>            | <u>291,225</u> | <u>66,212</u>                                   |
| Public safety:                  |                            |                           |                |   |
| Constable                       | -                          | 1,608                     | 1,550          | 58  |
| Fire department                 | 143,386                    | 115,540                   | 113,020        | 2,520   |
| Inspections department          | 51,670                     | 61,610                    | 37,218         | 24,392  |
| <b>Total public safety</b>      | <u>195,056</u>             | <u>178,758</u>            | <u>151,788</u> | <u>26,970</u>                                   |
| Public works:                   |                            |                           |                |   |
| Utilities                       | 12,500                     | 22,500                    | 16,822         | 5,678   |
| Roads                           | 104,755                    | 88,074                    | 77,570         | 10,504  |
| <b>Total public works</b>       | <u>117,255</u>             | <u>110,574</u>            | <u>94,392</u>  | <u>16,182</u>                                   |

**Township of Yankee Springs**

**BUDGETARY COMPARISON SCHEDULE - General Fund (Continued)**

Year ended June 30, 2008

|  | <u>Original<br/>budget</u> | <u>Amended<br/>budget</u> | <u>Actual</u>     | <u>Variance<br/>favorable<br/>(unfavorable)</u> |
|--|----------------------------|---------------------------|-------------------|---|
| <b>EXPENDITURES (Continued)</b>                              |                            |                           |                   |   |
| Community and economic development:                          |                            |                           |                   |   |
| Planning commission  | \$ 36,007                  | \$ 37,627                 | \$ 31,093         | \$ 6,534  |
| Zoning   | <u>34,207</u>              | <u>33,439</u>             | <u>26,960</u>     | <u>6,479</u>                                    |
| Total community and<br>economic development                  | <u>70,214</u>              | <u>71,066</u>             | <u>58,053</u>     | <u>13,013</u>                                   |
| Capital outlay   | <u>297,000</u>             | <u>176,000</u>            | <u>1,948</u>      | <u>174,052</u>                                  |
| Total expenditures   | <u>1,053,697</u>           | <u>904,040</u>            | <u>606,298</u>    | <u>297,742</u>                                  |
| <b>EXCESS (DEFICIENCY) OF REVENUES<br/>OVER EXPENDITURES</b> | (344,291)                  | (213,696)                 | 123,891           | 337,587   |
| <b>OTHER FINANCING USES</b>                                  |                            |                           |                   |   |
| Transfers out :  |                            |                           |                   |   |
| Fire Equipment Fund  | (50,000)                   | (50,000)                  | (50,000)          | -   |
| Park Land Development Fund                                   | <u>(45,000)</u>            | <u>(45,000)</u>           | <u>(10,000)</u>   | <u>35,000</u>                                   |
| Total other uses   | <u>(95,000)</u>            | <u>(95,000)</u>           | <u>(60,000)</u>   | <u>35,000</u>                                   |
| <b>NET CHANGE IN FUND BALANCES</b>                           | (439,291)                  | (308,696)                 | 63,891            | 372,587   |
| <b>FUND BALANCES - BEGINNING</b>                             | <u>811,758</u>             | <u>811,758</u>            | <u>811,758</u>    | <u>-</u>  |
| <b>FUND BALANCES - ENDING</b>                                | <u>\$ 372,467</u>          | <u>\$ 503,062</u>         | <u>\$ 875,649</u> | <u>\$ 372,587</u>                               |

**Township of Yankee Springs**

**BUDGETARY COMPARISON SCHEDULE - Fire Equipment Fund**

Year ended June 30, 2008

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|  | <u>Original<br/>budget</u> | <u>Amended<br/>budget</u> | <u>Actual</u>     | <u>Variance<br/>favorable<br/>(unfavorable)</u> |
|--|----------------------------|---------------------------|-------------------|---|
| <b>REVENUES</b>  |                            |                           |                   |   |
| Interest   | \$ 14,653                  | \$ 12,450                 | \$ 15,731         | \$ 3,281  |
| <b>EXPENDITURES</b>  |                            |                           |                   |   |
| Capital outlay   | <u>20,000</u>              | <u>20,000</u>             | <u>10,840</u>     | <u>9,160</u>                                    |
| <b>EXCESS (DEFICIENCY) OF REVENUES<br/>OVER EXPENDITURES</b> | (5,347)                    | (7,550)                   | 4,891             | 12,441  |
| <b>OTHER FINANCING SOURCES</b>                               |                            |                           |                   |   |
| Transfer in - General Fund                                   | <u>50,000</u>              | <u>50,000</u>             | <u>50,000</u>     | <u>-</u>  |
| <b>NET CHANGE IN FUND BALANCES</b>                           | 44,653                     | 42,450                    | 54,891            | 12,441  |
| <b>FUND BALANCES - BEGINNING</b>                             | <u>382,481</u>             | <u>382,481</u>            | <u>382,481</u>    | <u>-</u>  |
| <b>FUND BALANCES - ENDING</b>                                | <u>\$ 427,134</u>          | <u>\$ 424,931</u>         | <u>\$ 437,372</u> | <u>\$ 12,441</u>                                |

**Township of Yankee Springs****BUDGETARY COMPARISON SCHEDULE - Revolving Improvement Fund**

Year ended June 30, 2008

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|                                    | <u>Original<br/>budget</u> | <u>Amended<br/>budget</u> | <u>Actual</u>    | <u>Variance<br/>favorable<br/>(unfavorable)</u> |
|------------------------------------|----------------------------|---------------------------|------------------|---|
| <b>REVENUES</b>                    |                            |                           |                  |   |
| Other - special assessments        | \$ 5,000                   | \$ -                      | \$ 46,413        | \$ 46,413                                       |
| <b>EXPENDITURES</b>                |                            |                           |                  |   |
| Public works                       | <u>-</u>                   | <u>-</u>                  | <u>35,719</u>    | <u>(35,719)</u>                                 |
| <b>NET CHANGE IN FUND BALANCES</b> | 5,000                      | -                         | 10,694           | 10,694  |
| <b>FUND BALANCES - BEGINNING</b>   | <u>86,813</u>              | <u>86,813</u>             | <u>86,813</u>    | <u>-</u>  |
| <b>FUND BALANCES - ENDING</b>      | <u>\$ 91,813</u>           | <u>\$ 86,813</u>          | <u>\$ 97,507</u> | <u>\$ 10,694</u>                                |

## SUPPLEMENTARY INFORMATION

*Township of Yankee Springs*

**COMBINING BALANCE SHEET - Nonmajor governmental funds**

*June 30, 2008*

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|                      | <u>Special revenue</u> |                    | <u>Total</u>        |
|----------------------|------------------------|--------------------|---------------------|
|                      | <u>Liquor</u>          | <u>Park Land</u>   | <u>nonmajor</u>     |
|                      | <u>License</u>         | <u>Development</u> | <u>governmental</u> |
|                      |                        |                    | <u>funds</u>        |
| <b>ASSETS</b>        |                        |                    |                     |
| Cash                 | \$ 1,298               | \$ 65,399          | \$ 66,697           |
| <b>FUND BALANCES</b> | <u>\$ 1,298</u>        | <u>\$ 65,399</u>   | <u>\$ 66,697</u>    |



*Township of Yankee Springs*

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES - Nonmajor governmental funds**

*Year ended June 30, 2008*

|  | <u>Special revenue</u>    |                                  | <u>Total<br/>nonmajor<br/>governmental<br/>funds</u> |
|--|---------------------------|----------------------------------|--|
|  | <u>Liquor<br/>License</u> | <u>Park Land<br/>Development</u> |  |
| <b>REVENUES</b>  |                           |                                  |  |
| State grants   | \$ -                      | \$ 3,000                         | 3,000  |
| Licenses and permits   | <u>1,833</u>              | <u>-</u>                         | <u>1,833</u>   |
| Total revenues   | <u>1,833</u>              | <u>3,000</u>                     | <u>4,833</u>   |
| <b>EXPENDITURES</b>  |                           |                                  |  |
| Public safety  | 1,789                     | -                                | 1,789  |
| Culture and recreation                                       | <u>-</u>                  | <u>5,690</u>                     | <u>5,690</u>   |
| Total expenditures   | <u>1,789</u>              | <u>5,690</u>                     | <u>7,479</u>   |
| <b>EXCESS (DEFICIENCY) OF REVENUES<br/>OVER EXPENDITURES</b> | 44                        | (2,690)                          | (2,646)  |
| <b>OTHER FINANCING SOURCES</b>                               |                           |                                  |  |
| Transfer in - General Fund                                   | <u>-</u>                  | <u>10,000</u>                    | <u>10,000</u>  |
| <b>NET CHANGE IN FUND BALANCES</b>                           | 44                        | 7,310                            | 7,354  |
| <b>FUND BALANCES - BEGINNING</b>                             | <u>1,254</u>              | <u>58,089</u>                    | <u>59,343</u>  |
| <b>FUND BALANCES - ENDING</b>                                | <u>\$ 1,298</u>           | <u>\$ 65,399</u>                 | <u>\$ 66,697</u>                                     |

November 13, 2008

To the Board of Trustees  
Township of Yankee Springs

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Township of Yankee Springs for the year ended June 30, 2008, and have issued our report thereon dated November 13, 2008. Professional standards require that we provide you with the following information related to our audit.

***Our Responsibility under U.S. Generally Accepted Auditing Standards***

As stated in our engagement letter dated July 7, 2008, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

***Qualitative Aspects of Accounting Practices***

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Township of Yankee Springs are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2008. We noted no transactions entered into by Township of Yankee Springs during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was capital asset depreciation.

Management's estimate of the capital asset depreciation is based on the estimated useful lives of the Township's capital assets. We evaluated the key factors and assumptions used to develop the capital asset depreciation in determining that it is reasonable in relation to the financial statements taken as a whole.

The disclosures in the financial statements are neutral, consistent, and clear.

*Audit Adjustments*

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. Management has recorded all of our proposed audit adjustments.

*Disagreements with Management*

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

*Management Representations*

We have requested certain representations from management that are included in the management representation letter associated with the audits for the year ended June 30, 2008.

*Other Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Township of Yankee Springs's auditors. However, these discussions occurred in the normal course of our professional relationship, and our responses were not a condition to our retention.

*Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

*Communication Regarding Internal Control*

In planning and performing our audit of the financial statements of the Township of Yankee Springs as of and for the year ended June 30, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered the Township of Yankee Springs's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Our consideration of internal control included procedures to evaluate the design of controls relevant to an audit of financial statements and to determine whether they have been implemented, but it did not include procedures to test the operating effectiveness of controls and, accordingly, was not directed to discovering significant deficiencies in internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a deficiency in internal control that we consider to be a material weakness.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Policies and procedures over monthly bank reconciliations were not effective because necessary adjustments to the corresponding general ledger cash accounts were not identified and recorded. This is a recurring comment.

The Township has not implemented a system of controls to prepare financial statements in accordance with U.S. generally accepted accounting principles, including procedures to achieve the objectives of recording revenue and expense accruals, the capitalization and depreciation of capital assets, and the presentation of financial statement disclosures. This is a recurring comment. The Township has determined that the additional benefits derived from implementing such a system would not outweigh the costs incurred to do so.

This communication is intended solely for the information and use of the Board of Trustees of the Township of Yankee Springs and the State of Michigan Department of Treasury and is not intended to be and should not be used by anyone other than these specified parties.

*Sigfried Crandall P.C.*